

10 July 2018

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Dear Sir

Flagship Investments Limited Retail Presentation as at 10 July 2018

For the benefit of our Shareholders and interested parties, attached is a retail presentation to be delivered on Wednesday 11 July 2018 to various Brokers by the Investment Manager of Flagship Investments Limited.

Yours sincerely

FLAGSHIP INVESTMENTS LIMITED



Scott Barrett
Company Secretary



ECP Asset Management

Successful active management requires liquidity but an information advantage is a necessity

- The information advantage obtained by conducting forensic research of high quality growth businesses can produce superior investment performance over the long-term.
- Great investment opportunities occur when excellent companies are surrounded by unusual circumstances which reduces the entropy (lack of order or predictability) of the system and causes the equity to be mispriced.



A Fully Aligned Investment Team



Jared Pohl	Andrew Dale	Dr Manny Pohl	Jason Pohl	Sam Byrnes	Damon Callaghan
BCom. BIT. MBA	BCom. CA	B.Sc(Eng). MBA. DBA	BCom. LLB	BCom. CFA	BCom. CFA
Years in Industry: 11+ Years at ECPAM: 4+	Years in Industry: 15+ Years at ECPAM: 3+	Years in Industry: 30+ Years at ECPAM: 4+	Years in Industry: 3+ Years at ECPAM: 3+	Years in Industry: 7+ Years at ECPAM: 1	Years in Industry: 6+ Years at ECPAM: <1



Performance of market cap segments since 2001

Year-end Size Range	All Ords \$0-\$133bn	Small cap \$0-\$1bn	Mid cap \$1bn-\$8bn	Large cap \$8bn-\$133bn
Dec-01	10%	2%	16%	11%
Dec-02	-8%	-9%	5%	-10%
Dec-03	16%	32%	23%	13%
Dec-04	28%	27%	43%	26%
Dec-05	21%	20%	23%	23%
Dec-06	25%	34%	26%	23%
Dec-07	18%	17%	17%	16%
Dec-08	-40%	-53%	-46%	-36%
Dec-09	40%	57%	36%	36%
Dec-10	3%	13%	4%	0%
Dec-11	-11%	-21%	-16%	-9%
Dec-12	19%	7%	13%	22%
Dec-13	20%	-1%	17%	22%
Dec-14	5%	4%	13%	5%
Dec-15	4%	10%	11%	1%
Dec-16	12%	13%	18%	11%
Dec-17	13%	20%	22%	10%
Years the best		3	10	4
Minimum	-40%	-53%	-46%	-36%
Maximum	40%	57%	43%	36%

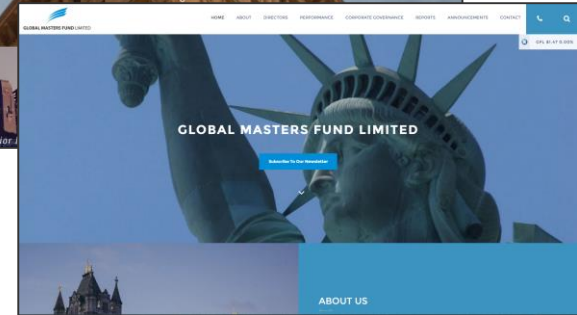
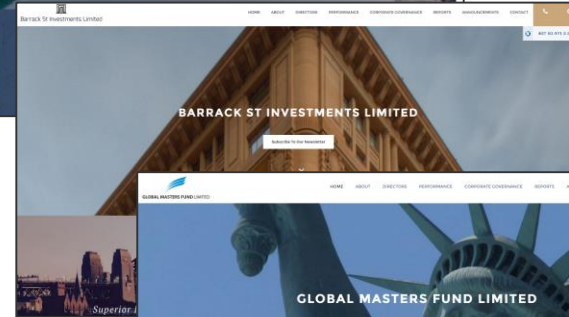
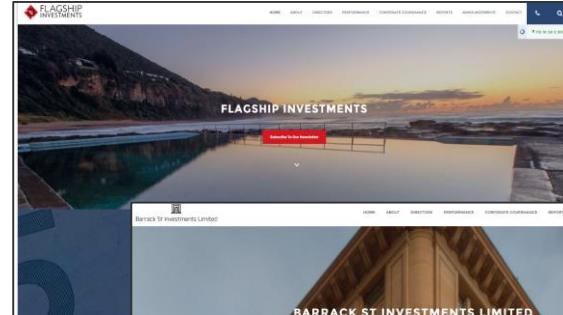
- Small and mid caps:
 - Outperformed in 76% of years
 - have significantly greater variance of returns (tendency for higher highs and lower lows) –timing entry is very important
- **ECPAM objective** - *to identify well managed, high growth, small cap companies that will become mid and large caps over time*



ECP has three Listed Investment Companies for retail investors



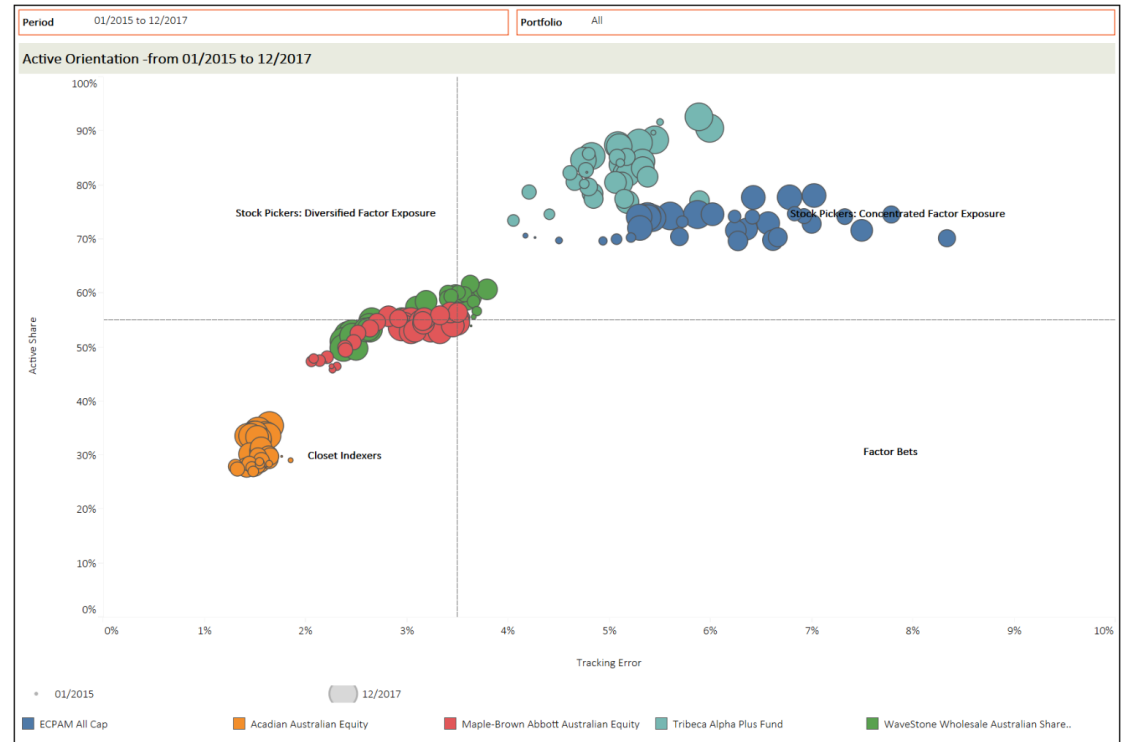
The image displays three overlapping screenshots of the websites for the listed investment companies. The top screenshot shows the Flagship Investments website with a scenic background. The middle screenshot shows the Barrack St Investments Limited website with a classical building facade. The bottom screenshot shows the Global Masters Fund Limited website with a close-up of the Statue of Liberty. Each screenshot includes a navigation menu, a search bar, and a prominent 'Subscribe to Our Newsletter' button.



When the market is crowded with quants and copycats one needs truly idiosyncratic managers to outperform

“THE CRISIS OF CROWDING”:
Ludwig B Chincarini 2012

“SMART BETA MAY NOT BE SO
SMART” : Foresight Analytics 2018
Recent survey showed that median
systematic risk was around 80%

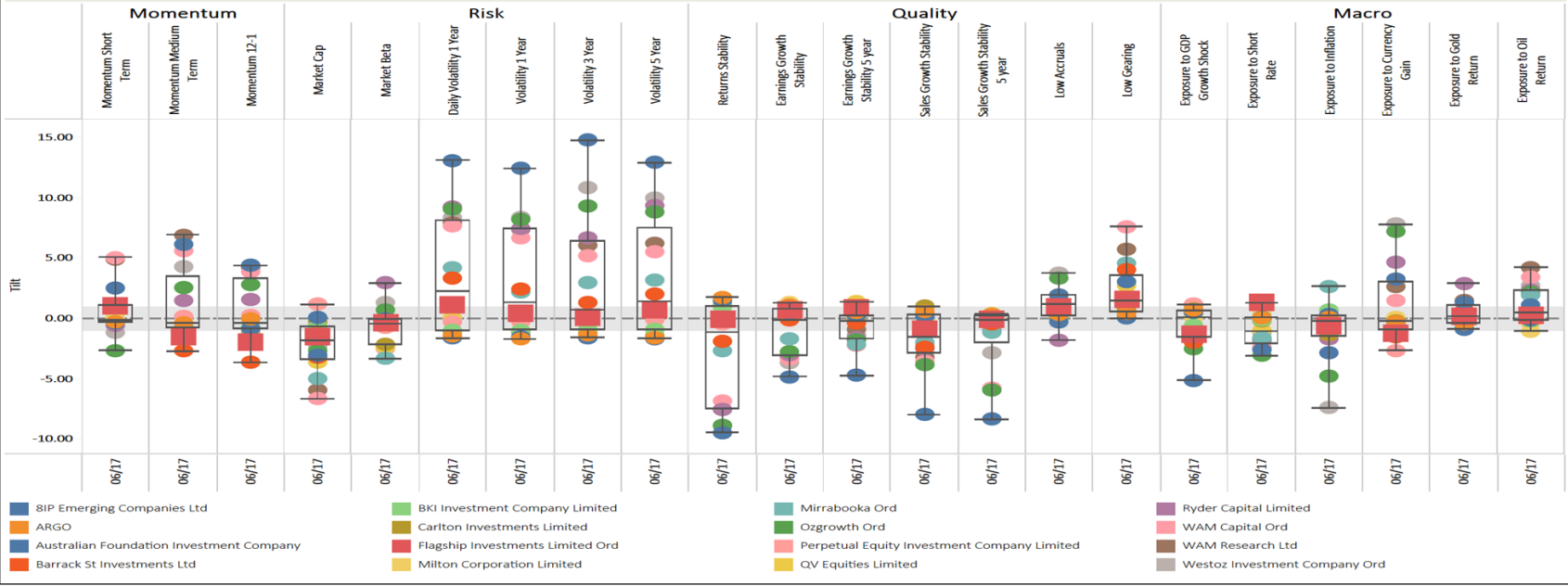


LIC FACTOR COMPARISON

Flagship Investments Limited Ord vs Peers: Style Tilts - CASA Adjusted

Benchmark: S&P/ASX All Ordinaries

(Style tilts between -0.5 and +0.5 are probably not significant. Style tilts less than -0.5 or more than +0.5 indicate a tilt exists but may not be significant. Style tilts less than -1 or more than +1 are significant. Style tilts less than -2 or more than +2 are very significant.)



Snapshot
June 2017

LICs
All

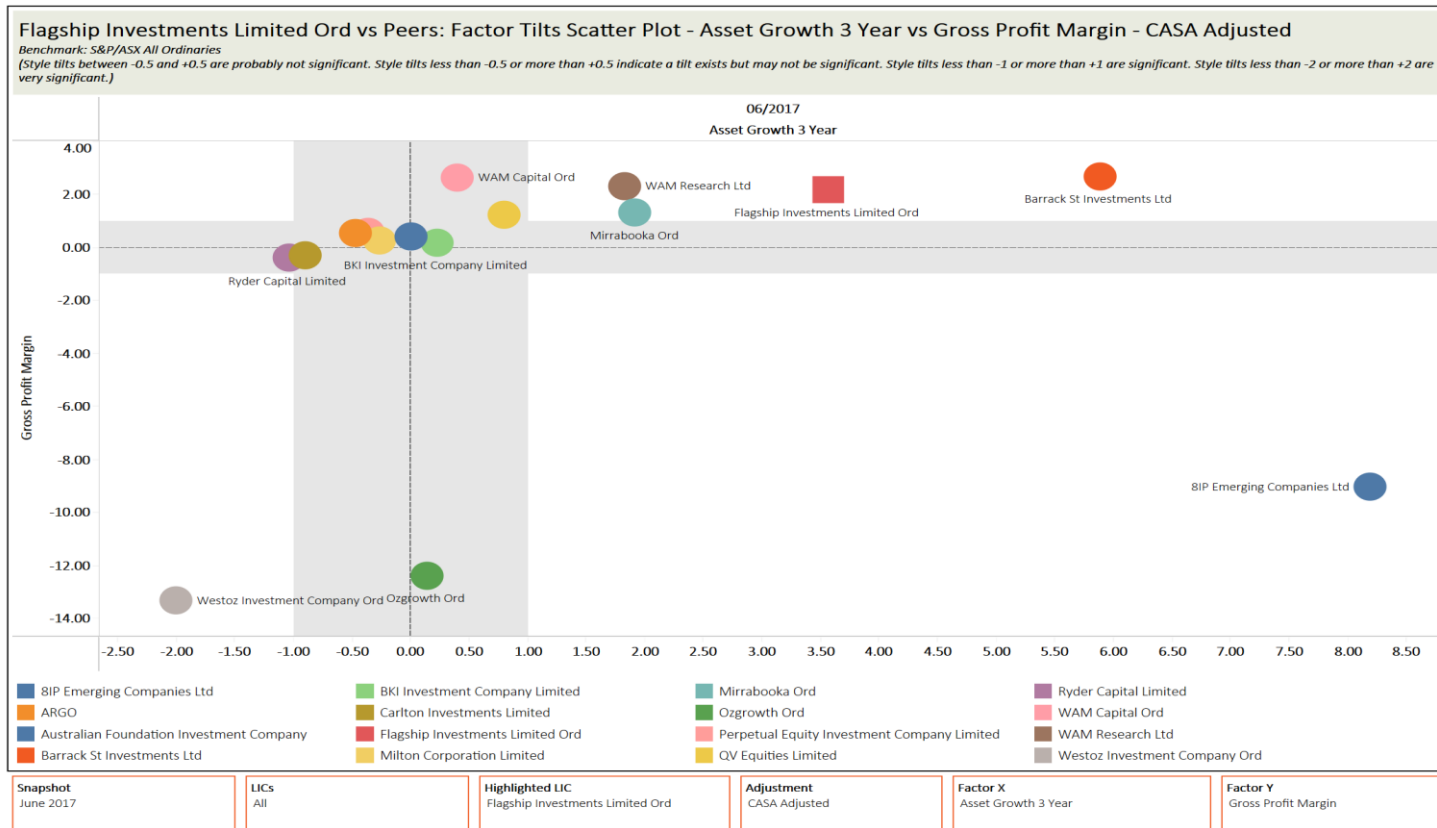
Adjustment
CASA Adjusted

Group
Multiple values

Factor
All

Highlighted LIC
Flagship Investments Limited Ord

LIC FACTOR TILT COMPARISON



Our focus on quality growth produces alpha

Performance is only statistically significant after 15 years – Willis, Towers Watson

Historical Performance to 31 June 2018*	3m	1 year	3 Years	5 Years	10 Years	20 Years (Inception May 1998)
FSI Portfolio	11.43	19.04	13.01	14.19	11.56	12.32
S&P ASX All Ords	7.17	9.12	4.88	5.66	1.66	4.26
Alpha	4.26	9.92	8.13	8.53	9.90	8.47

*All returns are gross of fees and charges. Excess returns are calculated against the S&P ASX All Ordinaries Index. Returns greater than one year are expressed as per annum.



Our philosophy guides everything we do

Investment Philosophy

- Our Investment Philosophy is based on the belief the economics of a business drives long-term investment returns.

This expresses itself through our investment process in:

- Valuing potential, not just performance
- Choosing high quality growing businesses
- Ignoring temporary market turbulence

The result is a concentrated portfolio of:

- Capital efficient companies without excessive financial leverage and a sustainable competitive advantage enabling them to expand their economic footprint and maintain these characteristics into the future.



Talking Stocks: Top Five Holdings



Barrack St Investments Limited



GLOBAL MASTERS FUND LIMITED

FLAGSHIP	Weight %
<i>Macquarie Group</i>	6.2
<i>Rio Tinto</i>	6.1
<i>CBA</i>	5.5
<i>RIO</i>	5.4
<i>DMP</i>	5.1
<i>IPH</i>	5.1

BARRACK	Weight %
<i>Magellan</i>	7.1
<i>Pendall</i>	6.9
<i>Carsales.com</i>	6.5
<i>Seek</i>	5.8
<i>Dominoes</i>	5.7
<i>IPH</i>	5.3

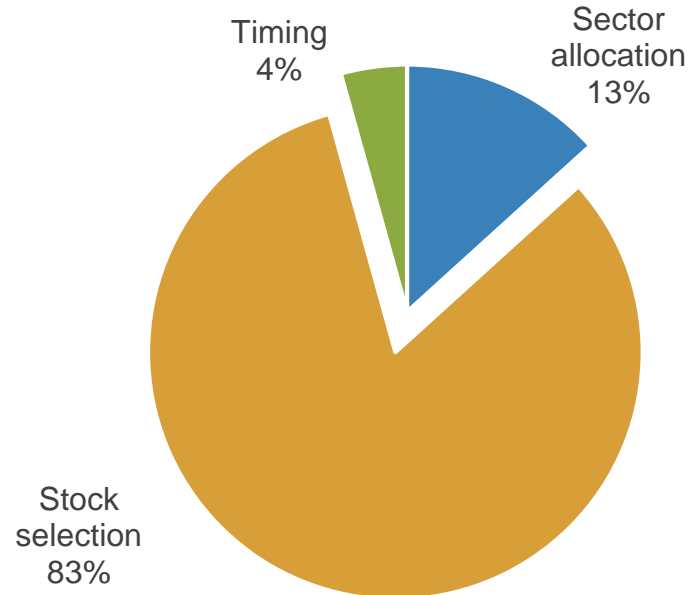
GLOBAL MASTERS	Weight %
<i>Berkshire Hathaway</i>	60.1
<i>FSI</i>	9.3
<i>Athelney Trust</i>	6.7
<i>Other UK</i>	21.9

(30 June 2018)



Alpha Attribution (BST)

We are proven stock pickers!



Stock Attribution (last 3 months)

Contributors

MQG (+20.2%)

IPH(+31.3%)

DMP (+25.2%)

RWC (+25.1%)

SM1 (+33.3%)

Detractors

BLA (-70.0%)

IRI (-20.0%)

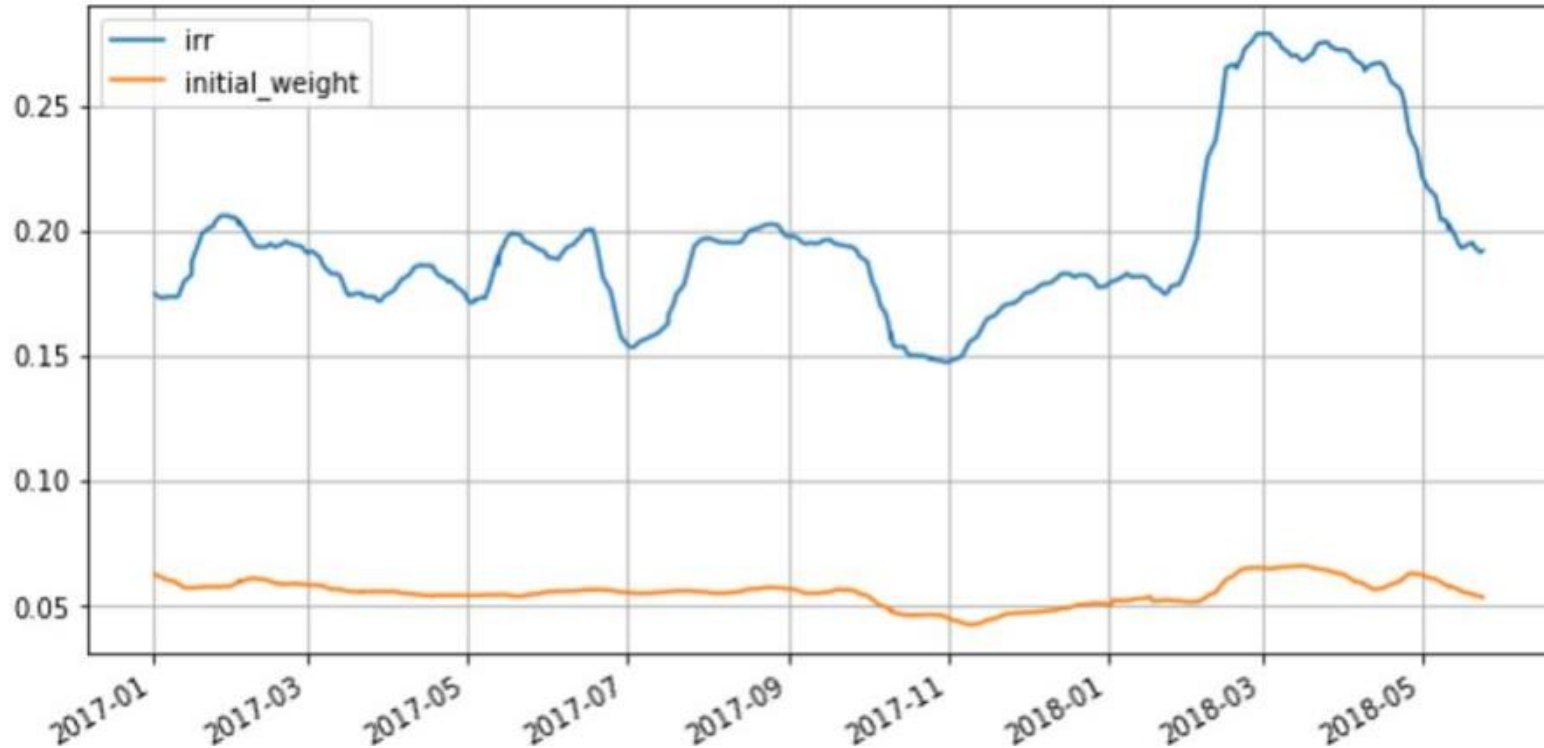
TPM (-5.8%)

MFG (-2.3%)

AUB (-4.0%)



Process at work - BLA



BLA - Blue Sky Alternatives Ltd

Thesis:

- BLA will raise significant capital into their real assets business (water and ag) as they switch their capital base from Wholesale to Institutional.
- Our target was 7bn of AUM in 2023.
- Ability to succeed was based on Reputation and access to Wholesale Channel.

Capital Raising

- Worrying and Supportive of thesis:
 - Got us to our target AUM @ 5% coinvestment
 - Also indicated that the business wasn't as scalable as we thought.

Glaucus Report:

- BLA's reported AUM number was 63% less than what was reported.
 - Alleged inflation of asset valuations
 - BLA were not allowed to use debt in their real estate AUM calculation.
- BLA misrepresented the performance of their returns.
- BLA were charging excessive fees (up to 17%) on total AUM which were not sustainable.



BLA - Blue Sky Alternatives Ltd (contd)

Response to Report:

- Two courses of action: Firstly, prove or disprove claims made by GRG. Secondly, assess whether BLA was able to meet our forecast AUM assumptions.

Claims Validation

- Spoke with all major LP's of BLA. They were all supportive and validated BLA assertions, fees paid, asset valuations.
- On a bottom up asset by asset model we were able to get to reported AUM by BLA.

Market Update and Downgrade:

- BLA downgraded FY18 with only a few months left in the FY.
- Indicated that BLA were including material transaction fees in management fees (previously disclosed as immaterial by management).

Why we sold:

- Reputation Damage
- Unlikely that they will raise significant amounts of money through wholesale channel
 - Economics of the business are different under this scenario.



Changes to Portfolio (Last 3 months)

Sold and re-bought:

A2M – A2 Milk Company

Structural Changes:

Added: APT - Afterpay

PPH – Pushpay

XRO - Xero

WTC - Wisetech

Sold: BLA - Blue Sky

CAT – Catapult

Valuation Changes:

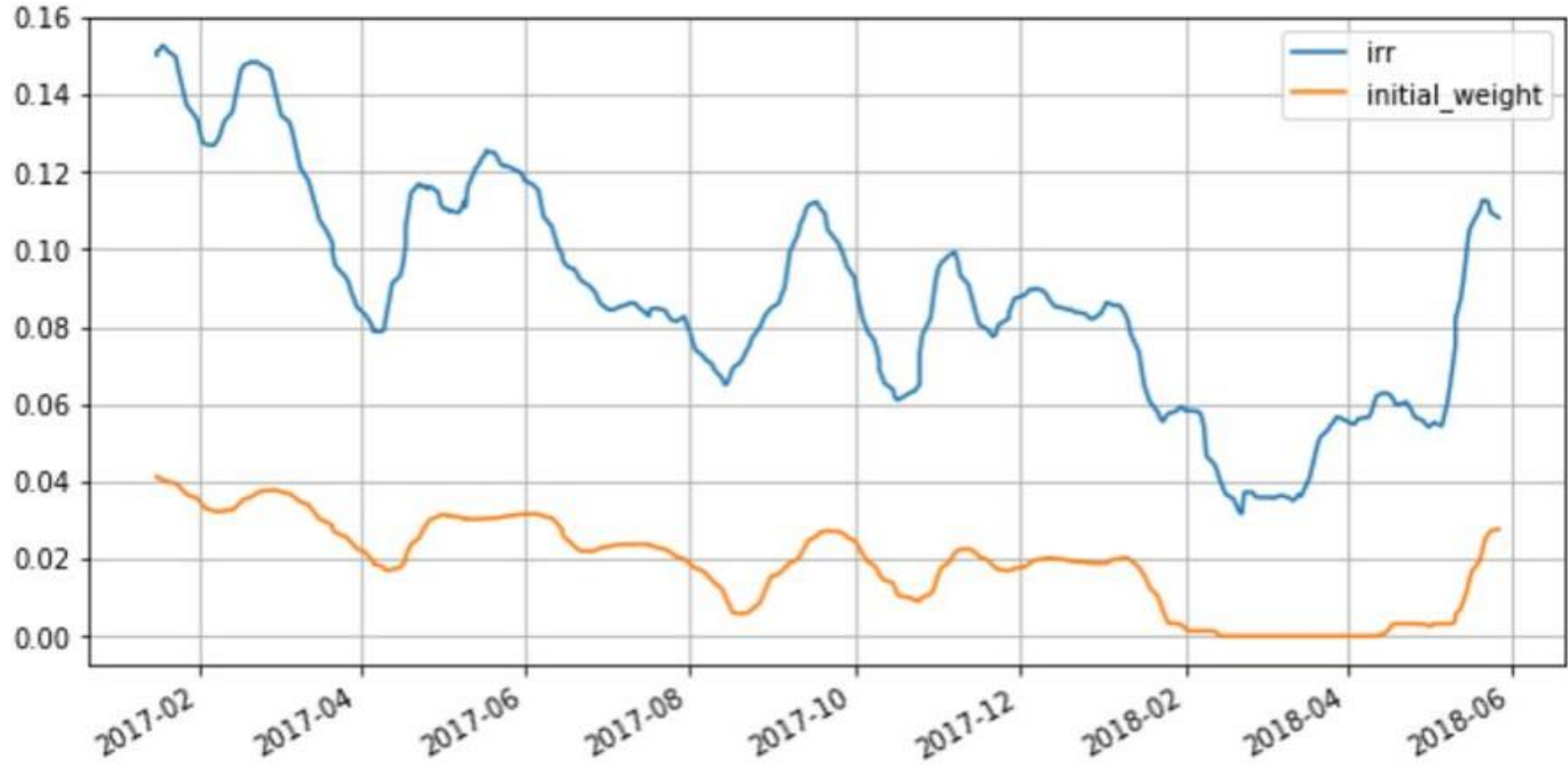
ARB – ARB Corporation

NWL – Netwealth

RMD - Resmed



Process at work - A2M



PPH AU - Pushpay Ltd

THESIS:

- Huge market opportunity. \$150 bn annual giving in the faith sector - mostly cash and cheque.
 - \$ 33 bn addressable versus \$ 2.2 bn processing volumes today.
- Large ROI for the underlying customers (30% increase in giving after use, lowers churn, increases predictability).
- Only real player of scale.

SCA:

- **Reputational:** has the majority of mega churches in the USA
- **Technological:** product superiority and depth of team versus competitors

RISKS:

- Deterioration to competitive position through new entrants coming in.



XRO AU - Xero Ltd

THESIS:

- Early stages of a global opportunity with only one significant competitor.
- Barriers to entry are increasing as the platform and its ecosystem continue to grow.
- Additional revenue opportunities through scale.

SCA:

Physical: Land grab strategy is instrumental because of its footprint within SMB's and Accountants is very sticky with very low churn requiring significant time and investment to build.

Organisational: Xero has a unique culture regarding innovation and market distribution that is a key differentiator between it and Intuit

Risks

- Profitability - should be at break even within 18 months. No need for further cap raise.
- Churn - reliant on ability to invest to acquire customers, needs churn to stay where it is.
- Competition - intuit is a significant competitor.



BST & FSI Metrics (30 June 2018)

BST(EX 50)

- Share Price 98 cents
- NTA 118 cents
- Discount 17.0%
- Dividend Yield 2.8%

FSI (All Cap)

- Share Price 168 cents
- NTA 198 cents
- Discount 15.2%
- Dividend Yield 4.5%

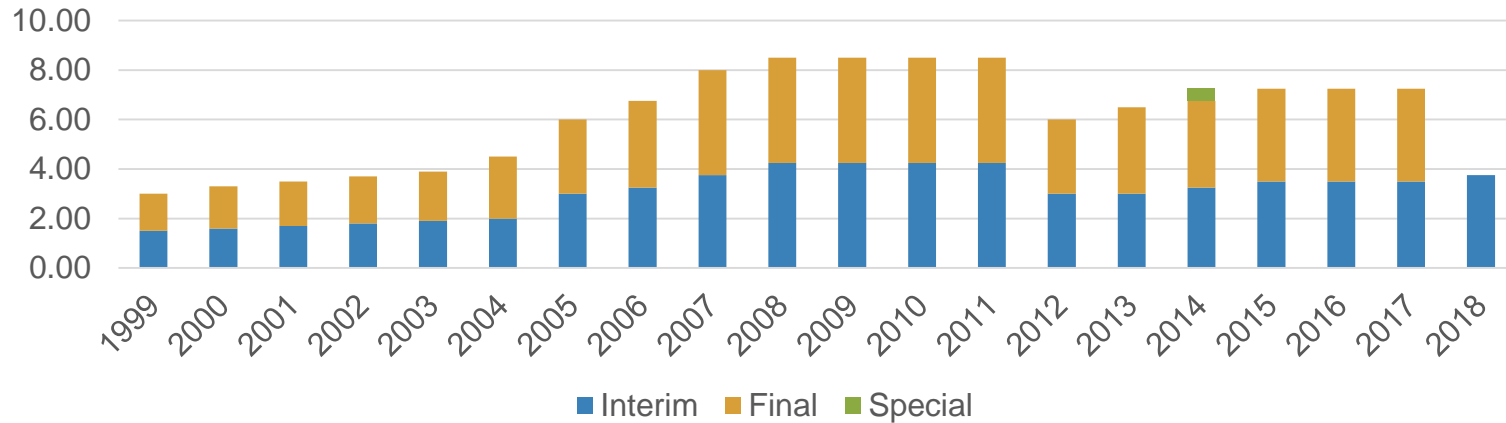


FSI Historical Dividends



Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Dividend	4.5	6.0	6.75	8.00	8.50	8.50	8.50	8.50	6.0	6.5	6.75*	7.25	7.25	7.25	3.75
Chg %	15.4	33.3	12.5	18.5	6.25	0.0	0.0	0.0	-30.0	8.3	3.9	11.1	0.0	0.0	
CPI	2.50	2.50	4.00	2.10	4.40	1.40	3.10	3.60	1.20	2.40	3.00	1.5	1.0	1.9	

* Excluding 0.5c special dividend



Looking forward, investors are generally no better equipped given the changing political landscape

- The global economy has picked up, inflation is rising, central banks are still being helpful
- US investors remain committed to the view that President Trump will deliver on his pro-US business agenda.
- Continued focus on the FANGS while quality smaller companies under valued in the market

Forecast IRR	EPS Growth ¹	PE Expansion ²	Dividend Yield ³
13.9 %	11.5 %	-1.0%	2.7%

1. Forecast weighted average EPS growth for companies in the portfolio.
2. Compound weight average annual PE expansion for Portfolio companies.
3. Estimated Dividend Yield of the portfolio.



Disclaimer

This communication is not a securities recommendation.

Any person considering action on the basis of this communication must seek out individual advice relevant to their particular circumstances and investment objectives.

Past performance is no guide for future performance.

